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Warren D. Hannah  
Director, Federal Regulatory Relations  
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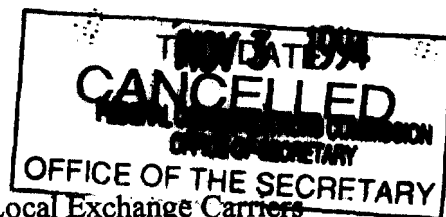
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

EX PARTE

November 4, 1994

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W. Room 222  
Washington, D.C. 20554

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RE: In the Matter of Price Cap Performance Review for Local Exchange Carriers  
CC Docket No. 94-1

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Today representatives of Sprint Corporation met with Mr. Jim Casserly of Commissioner Susan Ness' office to discuss issues in the above referenced matter. Information on the attached, relative to Sprint's comments and reply comments submitted on May 9 and June 29, respectively, was discussed.

Representing Sprint were Msrs. Jay Keithley, Jim Sichter and Rick Kapka. Sprint asks that this information be added as part of the record in this matter.

Sincerely,

Warren D. Hannah  
Director  
Federal Regulatory Relations

Attachment

cc: Mr. Jim Casserly

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# **SPRINT PRICE CAP REFORM PLAN**

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY**

# **SPRINT PRICE CAP REFORM OBJECTIVES**

## **OBJECTIVE**

## **Achieved Through:**

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• <b>INCREASED CONSUMER BENEFITS</b></li><li>• <b>INCREASED INCENTIVES FOR PRODUCTIVITY/INFRA-STRUCTURE INVESTMENT</b></li><li>• <b><u>MEASURED</u> STEPS TO ENHANCE LEC's COMPETITIVENESS</b></li></ul> | <ul style="list-style-type: none"><li>• <b>Access Rate Reductions Greater Than Existing Price Cap Plan</b></li><li>• <b>Higher Productivity Offset</b></li><li>• <b>Elimination Of Sharing</b></li><li>• <b>Streamlined Regulation/Increased Pricing Flexibility for LECs Choosing the Sprint Plan</b></li></ul> |
|--|--|

# **SPRINT PRICE CAP REFORM PLAN SUMMARY**

- **5 Year Plan**
- **Optional**
  - **LEC could opt to stay under current plan (3.3% productivity offset, sharing)**

## **Key Elements of the Sprint Price Cap Plan**

- **4.5% Productivity Offset**
- **2% Upfront Rate Reduction**
- **Elimination of Sharing/Lower Formula Adjustment Mark (LFAM)**
- **LECs choosing the Sprint Plan Option would qualify for more streamlined regulation and greater pricing flexibility, e.g.:**
  - **Immediate implementation of Zone Density pricing**
  - **Targeting of Upfront Rate Reduction to high density transport rates**
  - **Targeting of portion of Productivity factor to RIC phasedown**
  - **Flexibility to move depreciation rates to economic levels**
  - **Increased downward pricing flexibility**
  - **Streamlined review of Video Dialtone filings**

# **94-1 Time Line**

## **1994**

**December 15**

- Commission open meeting

**December 22 (?)**

- Price Cap order issued

**December 26**

- LEC's choosing Sprint Plan option:
  - Reinitialize Price Cap Indices
  - File across the board Rate Reduction of 2.6% (2.1% for LECs using 4.3% productivity offset)
    - 2.0% upfront Rate Reduction
    - .6% (.1%) half year additional productivity offset
- LECs opting for existing plan
  - No filing required

## **1995**

**January 1**

- Rate Reductions take effect (\$535M if all Price Cap LECs choose the Sprint plan)

**July 1**

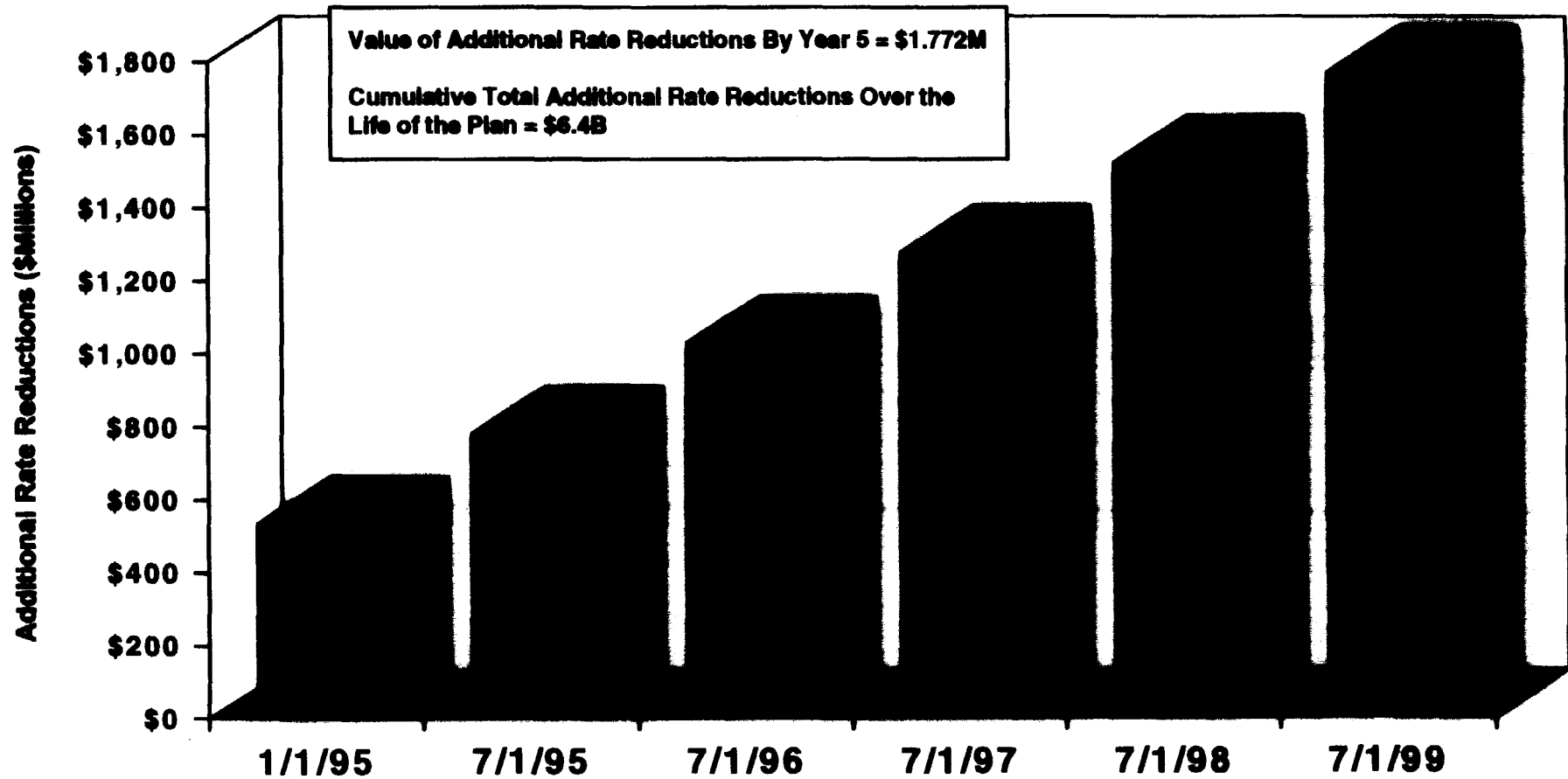
- 4.5% productivity offset
  - \*2% targeted to High Density Transport rates\*
  - \* 1.7% targeted to RIC phase down\*

\* Targeting could be provided for in the 94-1 Order, or could be determined in the transport proceedings (91-141/91-213)

# **Exogenous Cost Change Rules**

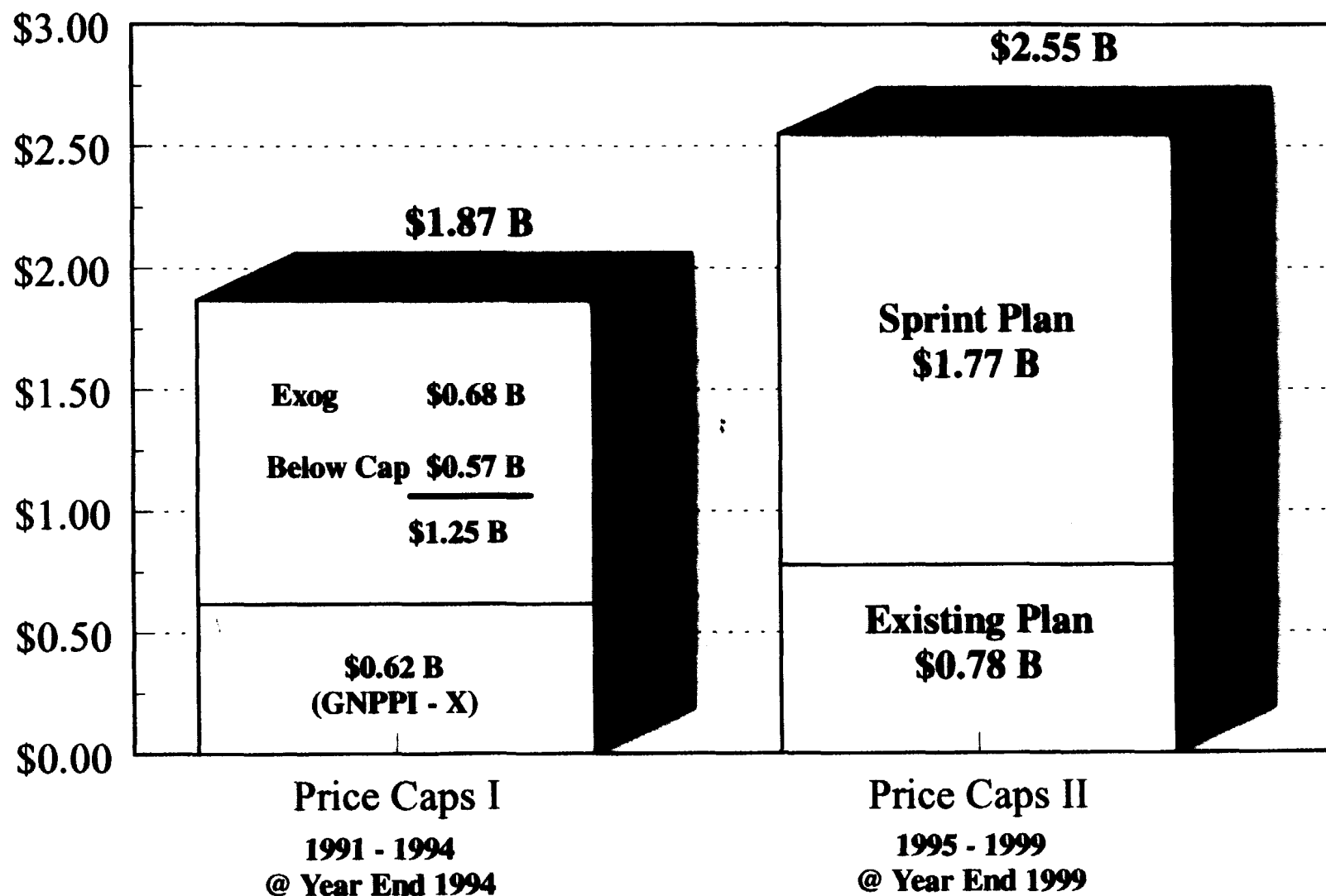
- **Exogenous cost changes defined in the rules**
  - **Separations (Part 36)**
  - **Regulated/Nonregulated Reallocations**
  - **Support payments (TRS, LTS)**
- **All other (e.g., tax law, accounting changes and infrastructure mandates)**
  - **Case by case review**
  - **Materiality criterion (impact must equal or exceed 1% of revenues)**

# Potential Rate Reductions Under The Sprint Price Cap Plan Compared to the Existing Price Cap Plan\*



\* Based on Total Industry 1993 Price Cap Revenues of \$20.6B  
- Assumes All Price Cap LECs elect to participate in CIDIP

# Potential Access Rate Reductions Under The Sprint Price Cap Plan



\* Assumes all Price Cap LECs elect Sprint Plan option.